

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 IO-13 NEAE-00 SAM-01 SAB-01

SP-02 USIA-06 AID-05 EB-07 NSC-05 CIEP-01 TRSE-00

SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 AGR-05

DODE-00 PM-04 H-02 L-03 PA-01 PRS-01 /121 W

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FM AMEMBASSY VIENNA

TO SECSTATE WASHDC PRIORITY 8283

INFO AMEMBASSY AMMAN

AMEMBASSY BELGRADE

AMEMBASSY BONN

AMEMBASSY CAIRO PRIORITY

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION USUN

C O N F I D E N T I A L VIENNA 2959

E.O. 11652: GDS

TAGS: AU, EG, EGEN, EAID

SUBJECT: SADAT'S VISIT: AUSTRO-EGYPTIAN ECONOMIC AGREEMENTS

1. BEGIN UNCLASSIFIED. BEGIN SUMMMARY. EGYPTIAN PRESIDENT SADAT COMPLETED ON APRIL 13 THREE-DAY "PRIVATE" VISIT TO AUSTRIA DURING WHICH HE DISCUSSED MIDDLE EAST SITUATION WITH PRESIDENT KIRCHSCHLAEGER AND CHANCELLOR KREISKY (SEPTTEL) AND REACHED BASIC ACCORD ON WHAT COULD BE MAJOR AGREEMENT FOR ECONOMIC COOPERATION BETWEEN AUSTRIA AND EGYPT. END SUMMARY.

2. EGYPTIAN PRESIDENT AND MRS. SADAT ARRIVED IN VIENNA

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APRIL 10 FOR TWO-DAY "PRIVATE" VISIT ON FINAL LEG OF

EUROPEAN TOUR THAT INCLUDED FRANCE, GERMANY, ITALY AND YUGOSLAVIA. THEY WERE ACCOMPANIED BY EGYPTIAN MINISTERS FOR FOREIGN AFFAIRS, ECONOMIC COOPERATION, HOUSING AND RECONSTRUCTION, AND ELECTRICITY. UPON ARRIVAL, SADAT EXPRESSED SATISFACTION WITH HIS VISITS TO OTHER EUROPEAN COUNTRIES, BOTH WITH RESPECT TO THOSE COUNTRIES' UNDERSTANDING FOR EGYPTIAN POLITICAL SITUATION AND THEIR OFFERS OF ECONOMIC ASSISTANCE. HE SAID HE INTENDED TO DISCUSS MIDDLE EAST SITUATION PRIVATELY WITH AUSTRIAN LEADERS BUT MADE CLEAR THAT FOCUS OF HIS VISIT TO AUSTRIA WOULD BE ON BILATERAL ECONOMIC RELATIONS.

3. FOLLOWING PRIVATE TALKD WITH PRESIDENT KIRCHSCHLAEGER AND DINNER WITH CHANCELLOR KREISKY APRIL 10, AND INTENSIVE DISCUSSIONS AMONG EGYPTIAN MINISTERS, THEIR AUSTRIAN COUNTERPARTS, AND REPRESENTATIVES OF MAJOR AUSTRIAN ENTERPRISES APRIL 10-11, PRESIDENT SADAT ANNOUNCED ONE-DAY EXTENSION OF HIS VISIT TO "FACILITATE FURTHER DISCUSSIONS".

4. AT JOINT PRESS CONFERENCE EVENING OF APRIL 12, AUSTRIAN MINISTER OF TRADE STARIBACHER AND EGYPTIAN MINISTER FOR HOUSING AND RECONSTRUCTION OSMAN ANNOUNCED AGREEMENT IN PRINCIPLE ON JOINT AUSTRO-EGYPTIAN ECONOMIC VENTURE THAT STARIBACHER SAID WOULD HELP EGYPT MOVE FROM WAR FOOTING TO COUNTRY STRIVING FOR ECONOMIC DEVELOPMENT AND PEACE. OSMAN SAID AGREEMENT WAS IN KEEPING WITH POLICY OF "OPEN DOOR" FOR FOREIGN INVESTORS THAT EGYPT HAS PURSUED SINCE 1973.

5. UNDER AGREEMENT, DETAILS OF WHICH ARE BEING WORKED OUT WITH AUSTRIAN KONTROLLBANK (AUSTRIAN EQUIVALENT OF EXIM BANK), AUSTRIA AND EGYPT WOULD ESTABLISH JOINT HOLDING COMPANY WITH EACH COUNTRY CONTRIBUTING \$50 MILLION TOWARD INITIAL CAPITALIZATION. HOLDING COMPANY WOULD SECURE FINANCING AND OVERSEE ECONOMIC DEVELOPMENT PROJECTS IN EGYPT, \$100 MILLION WORTH OF WHICH HAVE BEEN AGREED UPON AND \$140 MILLION WORTH OF WHICH ARE STILL UNDER CONSIDERATION. AMONG AGREED PROJECTS ARE CONSTRUCTION

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OF FACTORIES FOR MANUFACTURE OF CONSTRUCTION MATERIALS AND PREFABRICATED HOUSES, MODEL FARM AND CATTLE PRODUCTION UNITS, AND PROVISION TO EGYPT OF AUSTRIAN SURPLUS AGRICULTURAL COMMODITIES; STILL UNDER CONSIDERATION ARE PROJECTS INVOLVING CONSTRUCTION OF HIGHWAYS, POWER STATIONS, IRRIGATION FACILITIES, CELLULOSE PLANT, AND REDUCTION PLANT IN CONNECTION WITH EXPANSION OF EXISTING EGYPTIAN STEEL WORKS, AS WELL AS DELIVERY OF IRRIGATION AND AGRICULTURAL EQUIPMENT.

END UNCLASSIFIED.

6. BEGIN CONFIDENTIAL. COMMENT: NEITHER AUSTRIAN PRESS NOR MFA OFFICIALS PRINCIPALLY CONCERNED WITH EGYPTIAN AND MIDDLE EAST AFFAIRS ARE PARTICULARLY CLEAR ABOUT SCOPE OR DETAILS OF ANNOUNCED AGREEMENTS. A KNOWLEDGEABLE MFA SOURCE, FOR EXAMPLE, FIRMLY DISCOUNTED INITIAL RUMORS OF POSSIBLE AUSTRO-EGYPTIAN ECONOMIC AGREEMENTS WORTH \$100-250 MILLION BUT LATER CALLED EMBOFF TO STATE, QUITE INCREDULOUSLY, THAT IT APPEARED THAT STARIBACHER AND OSMAN MIGHT ACTUALLY REACH AGREEMENTS THAT "WOULD MAKE AUSTRIA ONE OF EGYPT'S MAJOR CREDITORS". EMBASSY NOTED, HOWEVER, THAT SADAT AVOIDED ANY COMMENT ON ECONOMIC AGREEMENTS, THAT KREISKY TOUCHED ONLY BRIEFLY ON SUBJECT IN GENERAL BUT QUITE OPTIMISTIC TERMS WHEN REPLYING TO DIRECT QUESTIONS, AND THAT EVEN MINISTERS STARI-BACHER AND OSMAN WERE CONSIDERABLY MORE CIRCUMSPECT IN THEIR REMARKS THAN WERE MEDIA ACCOUNTS, ESPECIALLY THOSE IN SOCIALIST PAPERS AND STATE RADIO AND TV, WHICH SEEMED TO BE OFFICIALLY INSPIRED. IT IS POSSIBLE, THEREFORE, THAT PROJECTS TO BE REALIZED UNDER THESE AGREEMENTS, ALTHOUGH NOT INSIGNIFICANT, MAY BE MORE MODEST THAN ADVERTISED.BUCHANAN

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